STATE COR

BULLARD SANFORD MEMORIAL LIBRARY

Vassar, Michigan

DEC 2 1 2004

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LOCAL AUDIT & FINANCE DIV.

FINANCIAL STATEMENTS

June 30, 2004



Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Local Government Typ City Tov	e vnship	Village ✓ Other	BULLARD	-SANFORD MEMORIA	L LIBRARY	TUS	COLA
Audit Date 6/30/04							
cordance with t	he Stater	nents of the Govern	mental Accou	government and rendered Inting Standards Board (Int in Michigan by the Mich	GASB) and the	ne Uniform	Removing Bounds
We affirm that:						İ	DEC 2 1 20
We have com	olied with	the <i>Bulletin for the A</i>	udits of Local U	Inits of Government in Mic	higan as revis	ed.	DEC Z I ZU
	•	ccountants registere	,	-			CAL AUDIT & FINAN
Ve further affirm the omments and rec			nave been disc	losed in the financial state	ments, includi	ng the notes,	or in the report of
ou must check the	e applicab	le box for each item l	below.				
Yes 📝 No	1. Cer	tain component units	/funds/agencie	s of the local unit are excl	uded from the	financial sta	tements.
Yes 📝 No		ere are accumulated of 1980).	deficits in one	or more of this unit's uni	reserved fund	balances/ret	ained earnings (P.A
Yes 🗸 No		ere are instances of ended).	non-compliand	ce with the Uniform Acco	unting and Bu	udgeting Act	(P.A. 2 of 1968, a
Yes 🗸 No	No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.						
Yes 📝 No		. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).					
Yes ✓ No	6. The	local unit has been o	delinquent in di	stributing tax revenues that	at were collecte	ed for anothe	er taxing unit.
_Yes ✓ No	7. pen	sion benefits (norma	I costs) in the	tutional requirement (Artic current year. If the plan i equirement, no contributio	s more than 1	00% funded	and the overfunding
Yes 🗸 No		local unit uses cred L 129.241).	dit cards and	has not adopted an appl	icable policy a	as required t	oy P.A. 266 of 199
Yes ✓ No	9. The	local unit has not ad	opted an inves	stment policy as required b	y P.A. 196 of	1997 (MCL 1	29.95).
Ve have enclose	d the follo	owina:			Enclosed	To Be Forwarde	
		recommendations.	PA	GE 26	√		
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Single Audit Repo	rts (ASLG	U).					1
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Certified Public Accour BERTHIAUME	•	•					
Street Address 60 HARROW LANE			City		State MI	48603	
Accountant Signature		utha-Cin	1			Date	

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Bullard Sanford Memorial Library Vassar, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bullard Sanford Memorial Library management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bullard Sanford Memorial Library, as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

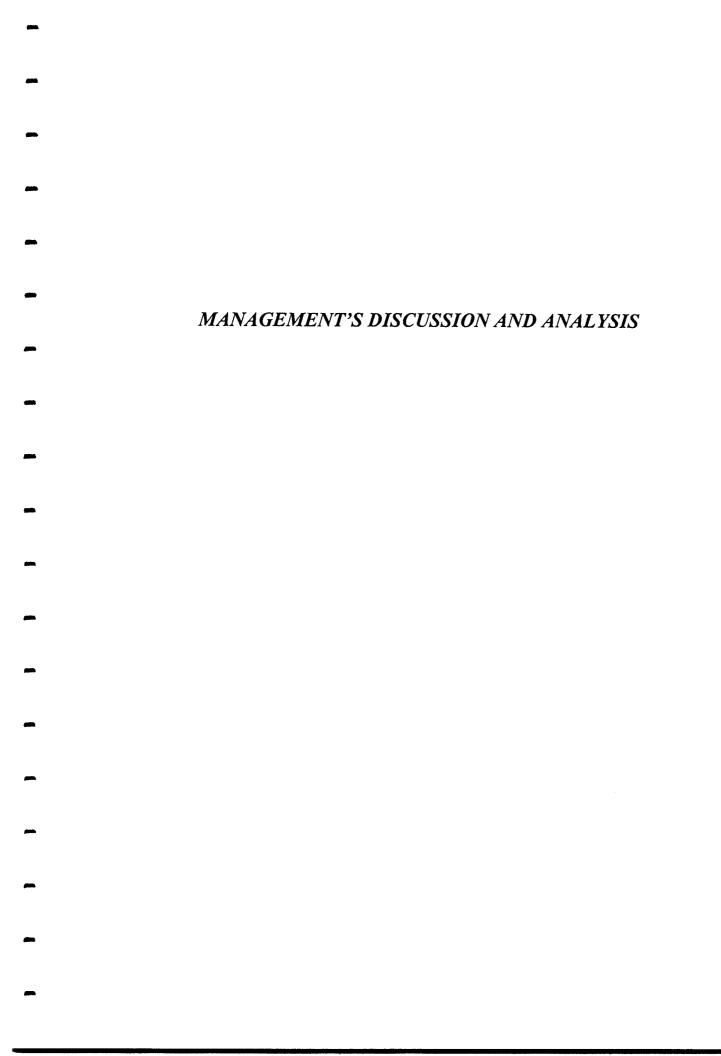
The management's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bullard Sanford Memorial Library's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements, as of July 1, 2003.

September 23, 2004

Berthiaime & Co.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The 2004 financial statements of the Library follow a different format than in previous years. These financial statements have been changed to comply with the reporting requirements of the Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the Library. The first two statements are government-wide financial statements that provide both short-term and long-term information about the Library's status. The remaining statements are fund financial statements that focus on individual parts of the Library's operations.

Condensed Financial Information

The following table shows key financial information in a condensed format:

		vernmental Activities
		2004
Assets		
Current and other assets	\$	17,830
Capital assets		225,730
Total assets		243,560
Liabilities		
Long-term liabilities		63,964
Other liabilities		11,678
Total liabilities		75,642
Net assets		
Invested in capital assets, net of related debt		163,193
Unrestricted		4,725
Total net assets	\$	167,918
Revenues		
Property taxes	\$	177,605
Other	•	87,786
Total revenues		265,391
Expenses		
Library services		292,051
Decrease in net assets	\$	(26,660)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Library as a Whole

- The primary change in reporting the financial statements in accordance with the requirements of GASB Number 34 is reporting all assets and liabilities on the full accrual basis. This includes reporting all capital assets at full cost less depreciation expense and all long-term obligations as liabilities.
- As a result of this change, the Library reports net assets of \$167,918 this year on a full accrual basis, as compared to a fund balance of \$4,014 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2004, total tax collections were \$177,605. This represents approximately 66 percent of total revenues.
- Salaries and fringe benefits are the largest overall expense of the Library. For 2004, this expense was \$143,609, representing 49 percent of the Library's total expenses of \$292,051.
- Total expenditures for the entire year under the modified accrual method of accounting were \$344,521.

The Library's Fund

Our analysis of the Library's General Fund is included on pages 6 and 8. This information is on the modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

• The fund balance of the General Fund decreased by \$16,268 for the year.

Library Budgetary Highlights

Differences between the original and final amended budgets for revenues and expenditures were relatively minor, except for contributions from other units, which represents penal fines received from the county. The reason the difference occurred was due to a decrease in the number of traffic tickets written due to adverse weather conditions during the winter months and the reduction of the number of State police officers due to State cutbacks.

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$163,193 invested in capital assets, net of related debt. Capital assets include building, furniture and equipment, vehicles, and collections.

The Library has long-term liabilities of \$63,964. Of this amount \$62,537 represents a note payable for the purchase of a rental house and \$1,427 represents accrued compensated absences. The net decrease in long-term obligations was \$1,974, which represents the annual principal payment on the note payable of \$3,027 and additional accrual of compensated absences of \$1,053.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

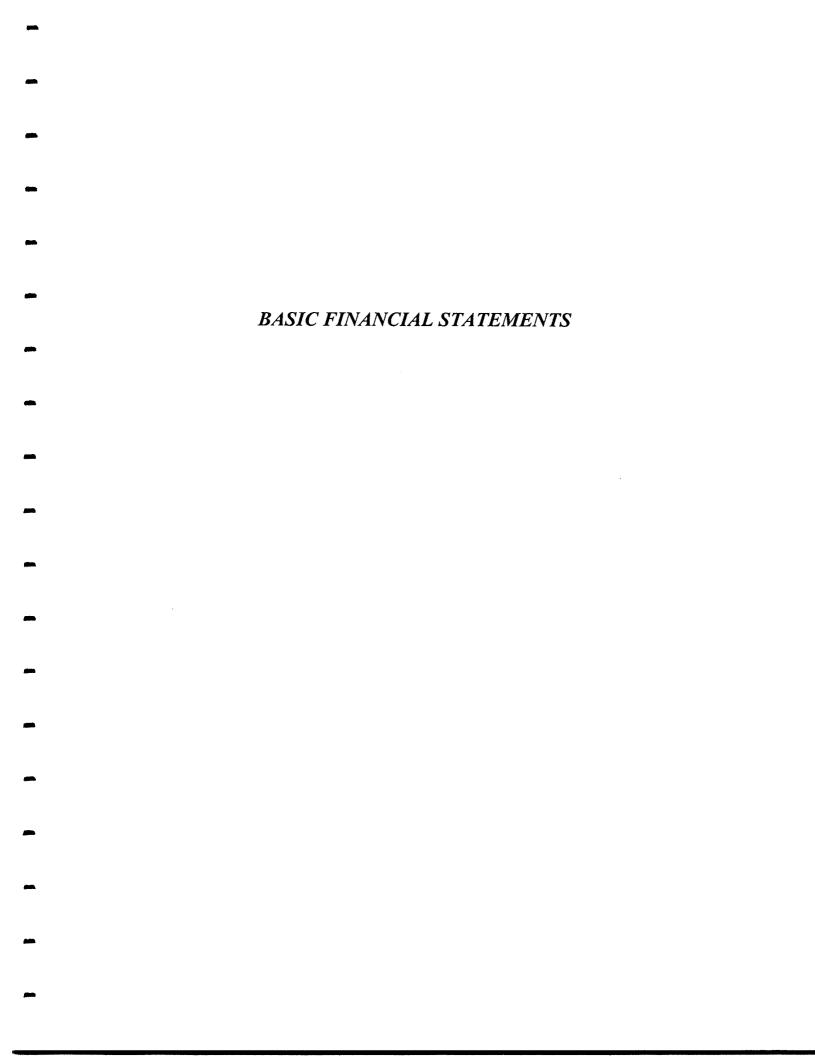
Economic Factors

The Library continues to maintain a positive fund balance. However, concerns arise when considering the revenues and expenses that the Library is facing in upcoming years. The major sources of revenue for the Library are property taxes and penal fines from the county. These sources have certain limitations outside of the Library's control – taxable value of property in the Library has remained flat, resulting in small increases in property taxes and penal fines from the county have declined due to road patrol issues and cutbacks by the State.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while trying to provide the Library's patrons with the same level of service to which they have become accustomed.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact James Rancilio, Library Director, 520 W. Huron Avenue, Vassar, Michigan 48768.



STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government Governmental Activities
Assets	
Receivables	\$ 16,889
Prepaid expenses	941
Capital assets:	
Depreciable capital assets, net	225,730
Total assets	243,560
Liabilities	
Accounts payable and accrued expenses	11,678
Long-term liabilities:	,
Due within one year	3,210
Due in more than one year	60,754
Total liabilities	75,642
Net assets	
Invested in capital assets, net of related debt	163,193
Unrestricted	4,725
Total net assets	\$ 167,918

STATEMENT OF ACTIVITIES

Expenses - library:	
Personal services	\$ 143,609
Materials and services	91,148
Depreciation	52,010
Interest on long-term debt	5,284
Total program expenses	292,051
Program revenues:	
Charges for services	6,600
Operating grants and contributions	78,825
Total program revenues	85,425
Net program expense	206,626
General revenues:	
Property taxes	177,605
Payment in lieu of taxes	72
Investment earnings	151
Miscellaneous	2,138
Total general revenues	179,966
Decrease in net assets	(26,660)
Net assets, beginning of the year	194,578
Net assets, end of the year	\$ 167,918

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

	General <u>Fund</u>
Assets	
Taxes receivable	\$ 2,138
Due from other governmental units	14,751
Prepaid expenditures	941
Total assets	\$ 17,830
Liabilities and Fund Balance	
Liabilities	
Checks written in excess of deposits	\$ 10,095
Accounts payable and accrued expenses	1,583
Deferred revenue	2,138
Total liabilities	13,816
Fund balance	
Reserved for:	
Prepaid expenditures	941
Unreserved:	
General fund	3,073
Total fund balance	4,014
Total liabilities and fund balance	\$ 17,830

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2004

Total fund balances for governmental funds		\$ 4,014
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	505,321	
Less accumulated depreciation	(279,591)	225,730
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.		2,138
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		
Note payable	(62,537)	
Compensated absences payable	(1,427)	 (63,964)
Net assets of governmental activities		\$ 167,918

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	General Fund
Revenues	
Property taxes	\$ 175,539
State grants	8,602
Contributions from other units	66,098
Interest and rents	6,751
Other revenue	6,263
Total revenues	263,253
Expenditures	
Current	
Recreation and culture	217,357
Capital outlay	53,853
Debt service	
Principal	68,027
Interest and charges	5,284
Total expenditures	344,521
Excess (deficiency) of	
revenues over expenditures	(81,268)
Other financing sources (uses)	
Proceeds from tax anticipation note	65,000
Total other financing sources	65,000
Net change in fund balance	(16,268)
Fund balance, beginning of year	20,282
Fund balance, end of year	\$4,014

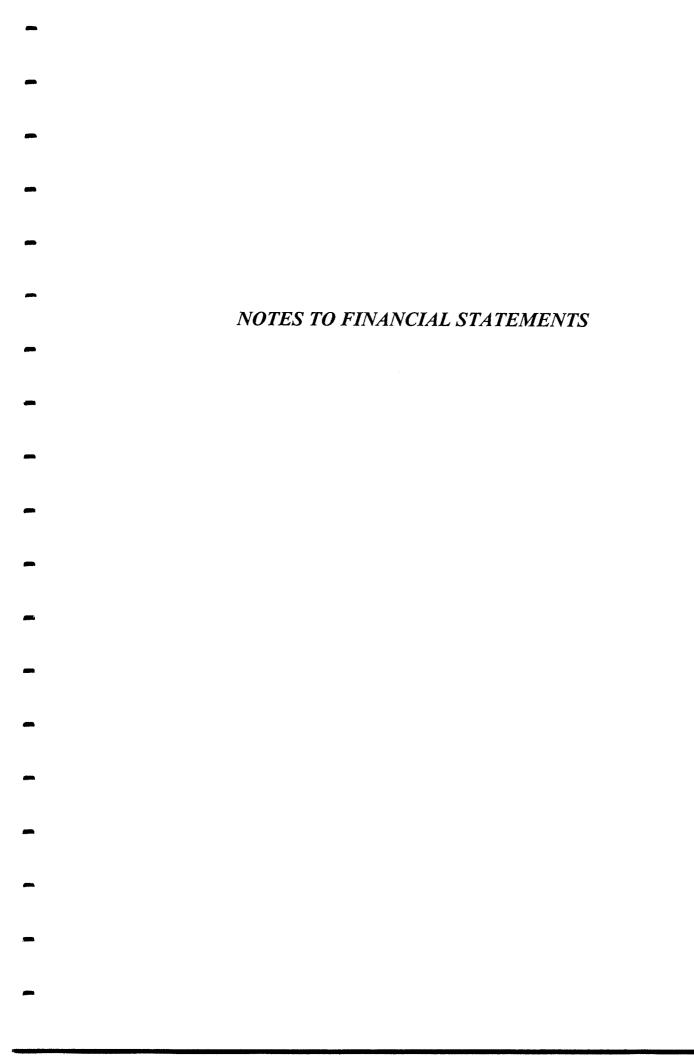
The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Net change in fund balances - total governmental funds		\$ (16	5,268)
Total change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	37,506		
	(52,010)	(14	,504)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.	<u>(</u>	·	.,138
Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.			
Proceeds received on tax anticipation note		(65	,000)
Repayments of principal on notes, loans and contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets.			
Principal repayment on tax anticipation note	65,000		
Principal repayment on note payable	3,027	68	,027
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		30	,~~,
Change in compensated absences payable	-	(1	<u>,053</u>)
Change in net assets of governmental activities	<u>.</u>	(26	,660)

The accompanying notes are an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 6, 1996, pursuant to 1989 P.A. 24 of the State of Michigan, and effective July 1, 1996, for financial reporting purposes, the City of Vassar and Tuscola and Vassar Townships agreed jointly to establish a District Library - the Bullard Sanford Memorial Library. Subsequently, in 1998 a portion of Juniata Township which is not in the Caro School District joined with the District Library. The primary funding sources of the District Library are property taxes (1 mill), penal fines and state aid. The City of Vassar, Tuscola Township, and Vassar Township each appoint two library trustees, and Juniata Township appoints one, for a total of seven library trustees.

The accounting policies of the Bullard Sanford Memorial Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library has adopted the position of the Governmental Accounting Standards Board regarding the definition of the "reporting entity." The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Accordingly, the Library has not consolidated any other governmental entities in its general purpose financial statements. The Library is not considered to be a component of any other unit.

Basis of Presentation – Fund Accounting

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities. The Library's only activities are governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Library first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

The statement of activities reports both the gross and net cost of the Library's function. The function is also supported by general government revenues (property taxes, interest, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Library does not allocate indirect costs.

The government-wide focus is on the sustainability of the Library as an entity and the change in the Library's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds. The Library only has the General Fund, which is considered major.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the primary operating fund of the Library. It is used to account for all financial resources.

Assets, Liabilities and Equity

<u>Deposits and Investments</u> – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

<u>Property Taxes</u> – The library tax of 1 mill (.9949 mill) is levied by the City of Vassar and the Townships of Tuscola, Vassar, and Juanita based on the assessed valuation of property, as equalized by the State, as of the preceding December 31. Property taxes are recognized as revenue in the year levied, except for insignificant amounts of delinquent personal property taxes which are recognized as revenue when collected. A portion of the Juniata Township taxes are allocated to the Fairgrove Library.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

The 2003 taxable valuation of each of the units is as follows:

	Taxable
	<u>Valuations</u>
City of Vassar	\$ 47,241,601
Tuscola Township	52,103,016
Vassar Township	63,947,009
Juniata Township	20,328,809

<u>Inventories and Prepaid Expenditures</u> –Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenditures in both the government-wide and fund financial statements.

<u>Capital Assets</u> – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Library defines capital assets as assets with an initial individual cost in excess of \$1,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Library books, media, and periodicals which comprise the Library's collections are recorded as assets at cost. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the capitalization threshold.

Buildings, furniture and equipment, vehicles and collections are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furniture and equipment	10-15 years
Vehicle	5 years
Collections	3-7 years

<u>Compensated Absences</u> – It is the Library's policy to permit the Director to accumulate earned but unused sick hours up to 360. Upon retirement or leaving the employment of the Library, the Director would be paid for one half of the accumulated hours. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

<u>Long-term Obligations</u> – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

<u>Fund Equity</u> – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Change

GASB Statement No. 34 - Effective July 1, 2003, the Library implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. Changes to the financial statements as a result of GASB No. 34 are as follows:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations has been included.

Government-wide financial statements prepared using full accrual accounting for all of the Library's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets include assets totaling \$467,815, which was previously reported in the General Fixed Assets Account Group. Capital assets at July 1, 2003 have been adjusted by \$240,234 to reflect the historical cost of the Library's capital assets at that date. In addition, the governmental activities column includes notes and other long-term obligations totaling \$65,938, which was previously reported in the General Long-term Debt Account Group.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An operating budget is adopted at the activity level each fiscal year for the General Fund on the modified accrual basis used to reflect actual revenues and expenditures. Budgetary control (the level at which expenditures may not legally exceed appropriations) is exercised at the activity level. Supplemental appropriations that amend the total of any fund and transfers of budget amounts between activity levels require board approval.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Library did not incur expenditures that were materially in excess of the amounts budgeted.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE 3: DEPOSITS AND INVESTMENTS

The Library's negative cash balance of \$10,095 was being held in the pooled accounts of the City of Vassar and was reclassified to be shown as a current liability in the financial statements. A portion of the City's accounts are insured by the FDIC. The City is in compliance with Act 217 PA 1982, which authorizes units of local government to deposit in accounts of federally insured banks, credit unions, and savings and loan associations.

Investments

State statutes authorize the Library to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Library.

NOTE 4: CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	Balance July 1,		Disposals and	Balance June 30,
	2003	Additions	Adjustments	2004
Governmental activities:				
Capital assets being depreciated				
Buildings and improvements	77,170	-	-	77,170
Furniture and equipment	107,368	-	-	107,368
Vehicles	35,000	-	-	35,000
Collections	248,277	37,506		285,783
Total capital assets being depreciated	467,815	37,506	-	505,321
Accumulated depreciation	227,581	52,010	-	279,591
Net capital assets being depreciated	240,234	(14,504)		225,730
Net governmental activities capital assets	\$ 240,234	\$ (14,504)	<u>\$</u> -	\$ 225,730

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE 5: LONG-TERM LIABILITIES

The Library issues loans and notes to provide for the acquisition of major capital facilities and the acquisition of certain equipment. Loans and notes are general obligation debt and are direct obligations and pledge the full faith and credit of the Library. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	eginning Balance		dditions eductions)		Ending Balance	 ne Within ne Year
Governmental activities							•
Note payable - Rental house							
Amount of Issue - \$67,500							
Maturing through October 2007							
Monthly installments of \$552,							
including interest. Balloon							
payment of \$51,658 due at end.	5.51%	\$ 65,564	\$	(3,027)	\$	62,537	\$ 3,210
Short term note - Tax anticipation				,			•
Amount of Issue - \$65,000							
Maturing through May 2004	4.43%	-		65,000		-	-
				(65,000)			
Compensated absences		374		1,053		1,427	
Compensated absolices		 314	_	1,000	_	1,727	 -
Total governmental activities		\$ 65,938	\$	(1,974)	\$	63,964	\$ 3,210

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

Year Ended	Governmental Activities						
June 30,	Principal		Interest		Total		
2005	\$	3,210	\$	3,413	\$	6,623	
2006		3,394		3,229		6,623	
2007		3,589		3,034		6,623	
2008		52,344		969		53,313	
	\$	62,537	\$	10,645	\$	73,182	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Library's governmental and business-type activities in the aggregate are as follows:

	 overnmental Activities		
Receivables			
Property taxes	\$ 2,138		
Intergovernmental	 14,751		
Total receivables	\$ 16,889		
Accounts payable and accrued expenses			
Checks written in excess of deposits	\$ 10,095		
Accounts	 1,583		
Total accounts payable and accrued expenses	\$ 11,678		

NOTE 7: RISK MANAGEMENT

The Library obtains its employee insurance coverage through the policies of the City of Vassar. The City uses commercial insurance companies. The Library reimburses the City for this cost.

The library building, which is owned by the City of Vassar, is insured under the City of Vassar insurance policy. The Library reimburses the City for the cost of insurance.

The Library has obtained, from commercial insurance companies, insurance coverage for contents and other liabilities.

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Eligible Library employees are covered under the City of Vassar's retirement plan. The City contributes to the Michigan Municipal Retirement System (MERS) for all of its eligible employees and eligible Library employees. The Library reimburses the City for this expense.

Eligible Library employees are also allowed to participate in the City's Section 457 Deferred Compensation Plan. The Library makes a contribution to the Deferred Compensation Plan for certain employees in lieu of a pension contribution. To be eligible for this deferred compensation contribution the employee must generally work between 30 and 34 hours per week.

For the year ended June 30, 2004 the Library contributed \$5,575 to the MERS Pension Plan and \$587 to the Deferred Compensation Plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE 9: FUND EQUITY

Specific reservations on fund equity include:

<u>Reserved for prepaid expenditures</u> – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

NOTE 10: AGREEMENTS

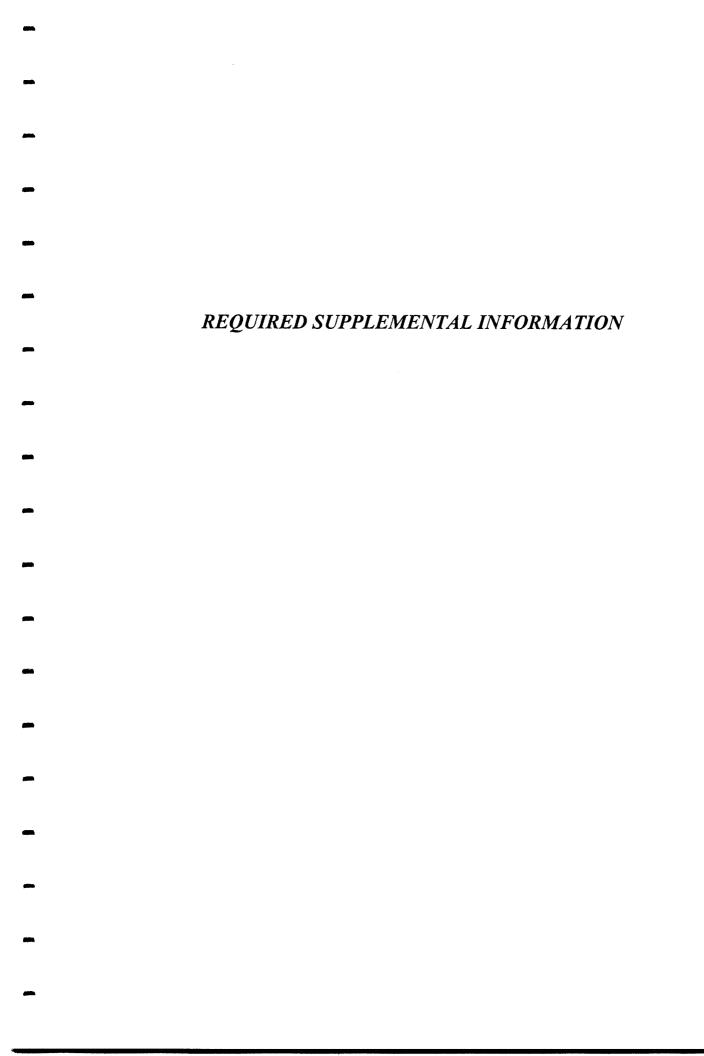
The Library has a lease on the library building with the City of Vassar. The lease requires a payment of \$1 per year to the City. The lease is for seven (7) years through May 6, 2009. The City then has the option of renewing the lease or deeding the property over to the Library.

The Library also has a fiscal agent agreement with the City of Vassar. Under this agreement, the City provides certain bookkeeping and administrative services. During the year ended June 30, 2004 the City was paid \$4,607 pursuant to this agreement.

The library has an agreement with the Fairgrove Library which requires that a certain portion of the Juniata Township property tax revenues be shared with the Fairgrove Library. The agreement also requires the sharing of certain other revenues such as penal fines.

NOTE 11: SUBSEQUENT EVENTS

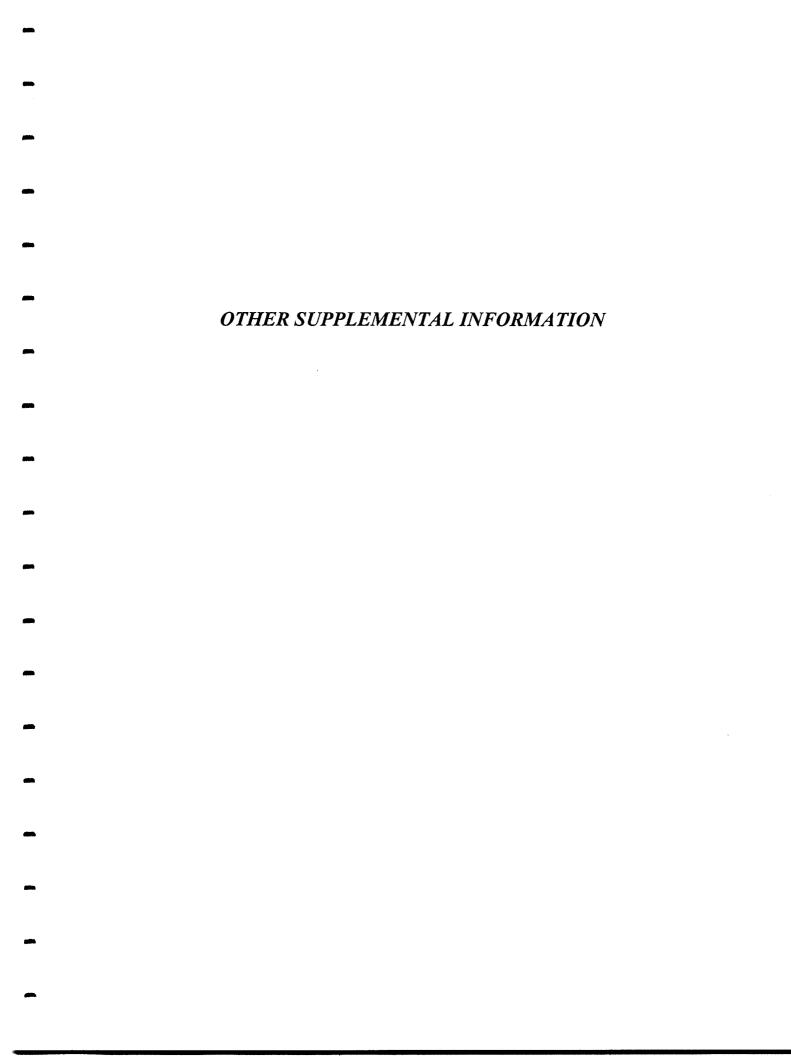
Subsequent to June 30, 2004, the Library has borrowed \$75,000 in short-term tax anticipation notes through Citizens Bank. Proceeds from the borrowing will be distributed to the Library in September of 2004.



GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

	Budgeted Amounts				Actual Over (Under)		
	Original		Final		Actual		Budget
Revenues							
Property taxes	\$	174,147	\$	173,884	\$ 175,539	\$	1,655
State grants		8,414		8,492	8,602		110
Contributions from other units		87,064		66,064	66,098		34
Interest and rents		7,100		6,750	6,751		1
Other revenue		1,000		5,865	 6,263		398
Total revenues		277,725		261,055	 263,253		2,198
Expenditures							
Recreation and culture		216,322		216,124	217,357		1,233
Capital outlay		53,700		53,265	53,853		588
Debt service							
Principal		67,000		67,000	68,027		1,027
Interest and charges		5,450		5,450	 5,284		(166)
Total expenditures		342,472		341,839	 344,521		2,682
Excess (deficiency) of							
revenues over expenditures		(64,747)		(80,784)	 (81,268)		(484)
Other financing sources (uses)							
Proceeds from tax anticipation note		65,000		65,000	 65,000		-
Total other financing sources (uses)	·····	65,000		65,000	 65,000		
Net change in fund balance		253		(15,784)	(16,268)		(484)
Fund balance, beginning of year		20,282		20,282	 20,282		-
Fund balance, end of year	\$	20,535	\$	4,498	\$ 4,014	\$	(484)



GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Revenues:	
Current taxes:	
Property taxes - City of Vassar	\$ 45,128
Property taxes - Juniata Township	12,673
Property taxes - Tuscola Township	51,852
Property taxes - Vassar Township Payment in lieu of taxes	65,814
rayment in neu of taxes	
	175,539
State grants:	
State aid	8,602
	8,602
Contribution from other units:	
County penal fines	66,098
	66,098
Interest and rents:	
Interest	151
Rents	6,600
	6,751
	-
Other revenue:	
Contributions and donations	4,125
Other	2,138
	6,263
Total revenues	262.252
Total Tevenides	263,253
Other financing sources:	
Proceeds from tax anticipation note	65,000
	65,000
Total revenues and other financing sources	\$ 328,253
	υ 320,233

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Expenditures:	
Recreation and Culture:	
Library:	
Personnel	\$ 116,030
Fringe benefits	26,526
Supplies	11,874
Contracted services	9,566
Administrative charge to City of Vassar	4,607
Telephone	6,148
Dues and memberships	880
Conference and travel	2,438
Printing and publications	1,855
Insurance	5,786
Utilities	7,636
Repairs and maintenance	10,614
Equipment rental	676
Other	 12,721
	 217,357
Total recreation and culture	 217,357
Debt Service:	
Principal	68,027
Interest and charges	5,284
	 73,311
Capital Outlay:	
Recreation and culture	52 052
THE PROPERTY OF THE PROPERTY O	 53,853
	 53,853
Total expenditures	\$ 344,521



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

MANAGEMENT LETTER

To the Board of Directors Bullard Sanford Memorial Library

We have completed our audit of the financial statements of the Bullard Sanford Memorial Library for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Library's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Bullard Sanford Memorial Library taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses.

This report is intended solely for the use of the Library management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

Berthiaume & Company

Certified Public Accountants

Berthaume & Co.

September 23, 2004